

Consumable supplies, which although necessary in the manufacturing process, do not qualify for the Manufacturing Machinery and Equipment exemption. Please see 86 Ill. Adm. Code 130.330. (This is a GIL.)

April 29, 2005

Dear Xxxxx:

This letter is in response to your letter dated October 27, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Please be advised that we represent a wholesaler of a vast range of products used in the woodworking industry. Sales from the majority of these products, which are sold to customers in your state, we believe to be typically exempt from sales tax under the manufacturing exemption. However, due to the diverse and occasionally unusual product line of our client, we request an opinion as to whether the company must collect sales tax for sales from the following categories of products, normally sold to cabinet, furniture and other woodworking manufacturers, which will enable us to more consistently comply with the laws of your state.

1. Decorative, builders' and functional hardware, including but not limited to, wood and other decorative trim, veneers, moldings, fasteners, such as nails and screws, hinges, brackets, catches, latches, knobs, slides, locks, bumpers and casters.
2. Various types of cabinet, furniture, counter and other functional accessories examples of which would be: hooks, handles, lighting fixtures, storage racks, drawer organizers, cutlery inserts, slides, and swivel systems.

3. Various types of abrasives, such as sandpaper, sanding belts, sanding disks, sanding rolls, and specialty abrasives. These products are used directly in manufacturing.
4. Adhesives such as glues of various types, caulks, wood fillers, cements and sealants all of which are incorporated completely into the manufactured products.
5. Various types of hand tools used directly in the manufacturing process, including but not limited to clamps, guides, planes; finishing, painting, cutting and gluing tools; chisels, saws, files, hammers and screwdrivers.
6. Air and power tools, (hand held), and accessories used directly in the manufacturing process including but not limited to: sanders, saws, routers, hammers, air fasteners and staplers, planes, spray guns, screw guns, drills, files and trimmers,
7. Air compressors and heat guns.
8. Stationary power machinery and accessories used directly in manufacturing including but not limited to saws, lathes, routers, planes, laminate rollers and slitters and drill presses. Examples of accessories would be dust collectors, guides, clamps and design software.
9. Bits, blades and cutters such as various drill and router bits, cutting blades and saw blades, all of which are used in the manufacturing process.
10. Replacement parts for the air and power tools and stationary machinery referenced above.
11. Pollution control equipment or systems and their components such as filtering systems for paint spray, dust, fumes or other contaminants to remove said hazards or nuisances from being expelled into the environment or endangering the workers. Components can include replaceable filters or air compressors.
12. Finishes which are applied to the products manufactured such as lacquers, paints, polishes, oils, and stains.
13. Miscellaneous categories as follows:
  - a. Safety equipment such as flame retardant paper, gloves, goggles, ear plugs and filter masks.
  - b. Packaging products such as stretch wrap, boxes and shipping tape.
  - c. Lubricants.
  - d. Spray booth kits to build an in house enclosed spray painting "room."
  - e. Shop supplies such as wipes, rags, moving blankets, bench brushes, brooms and cleansers.

As indicated throughout this letter, I want to emphasize that virtually all the sales of hardware, accessories, adhesives and finishes indicated herein, in every category are for use, consumption or incorporation into a product directly in the manufacturing process. Note, a tiny percentage (< 1%), of sales are to the cabinet installation trade,

and therefore outside the manufacturing environment. We will tax those sales accordingly.

Please review these categories of products and advise us as to which items would be subject to sales tax under your state law and further, for which categories do exemptions apply. Your prompt cooperation in this matter is greatly appreciated. If you have any questions, please contact me.

## **DEPARTMENT'S RESPONSE:**

Information regarding a sale for resale may be found in 86 Ill. Adm. Code 130.1405, which sets forth the requirements for certificates of resale. A manufacturing machinery and equipment exemption is available for machinery and equipment used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330.

The term "Manufacturing" is defined as the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, which changes some existing material or materials into a material with a different use, form or name. These changes must result from the process in question and be substantial and significant.

The term "Machinery" means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process. See 86 Ill. Adm. Code 130.330(c)(2). The term "Equipment" includes any independent device or tool separate from any machinery but essential to an integrated manufacturing or assembling process. See 86 Ill. Adm. Code 130.330(c)(3). The extension also extends to repair and replacement parts as long as the parts are incorporated into machinery and equipment that is exempt under the regulation. See 86 Ill. Adm. Code 130.330(c)(3).

Please note, that under Section 130.330, the exemption does not include items such as supplies, coolants, lubricants, adhesives, solvents, items of personal apparel, coal, fuel oil, electricity, natural gas, artificial gas, steam, refrigerants or water. Hand tools do not qualify for the exemption. However, pneumatic hand tools or electric powered hand tools used primarily in manufacturing or assembling may qualify for the exemption. Consumable supplies, which although necessary in the manufacturing process, do not qualify for the exemption because they are not machinery, equipment, or replacement parts for such machinery or equipment. Please refer to 86 Ill. Adm. Code 130.330.

Effective July 1, 2003, the pollution control facilities exemption was repealed. Please see 86 Ill. Adm. Code 130.335, for further information.

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel

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